

# Schroder UK Mid Cap Fund plc

## Half Year Report and Accounts

For the six months ended  
31 March 2018



## Investment objective

The Company's investment objective is to invest in Mid Cap equities with the aim of providing a total return in excess of the FTSE 250 (ex-Investment Companies) Index.

## Strategy/investment policy

The strategy is to invest principally in the investment universe associated with the benchmark index, but with an element of leeway in investment remit to allow for a conviction-driven approach and an emphasis on specific companies and targeted themes. The Company may also invest in other collective investment vehicles where desirable, for example to provide exposure to specialist areas within the universe. The Company may hold up to 20% of its portfolio in equities and collective investment vehicles outside the benchmark index.

The Manager has adopted a unique and consistent investment process, taking a stock specific approach with an emphasis on growth companies. Sector weightings play a secondary role, resulting naturally from stock selection. Fundamental research forms the basis of each investment decision taken by the Manager, which carries out its own research with numerous company contacts. When analysing stocks, the Manager looks for companies with strong management teams with a proven record, good future prospects and a strong business franchise within their markets.

## Key reasons to invest

- Strong capital returns over 3, 5 and 10 years
- Dividend has tripled since 2007
- Exposure to financially prudent, growing businesses, many with significant overseas exposure
- Managed by Andy Brough, who has over 30 years' experience, and Jean Roche, who has over 18 years' experience





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# Financial Highlights

## Total returns (including dividends reinvested) for the six months ended 31 March 2018<sup>1</sup>



NAV per share<sup>2</sup>



Share price<sup>2</sup>



Benchmark<sup>3</sup>

<sup>1</sup>Total returns represent the combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares of the Company at the time the shares were quoted ex-dividend (to calculate the share price total return) or in the assets of the Company at its NAV per share (to calculate the NAV per share total return).

<sup>2</sup>Source: Morningstar.

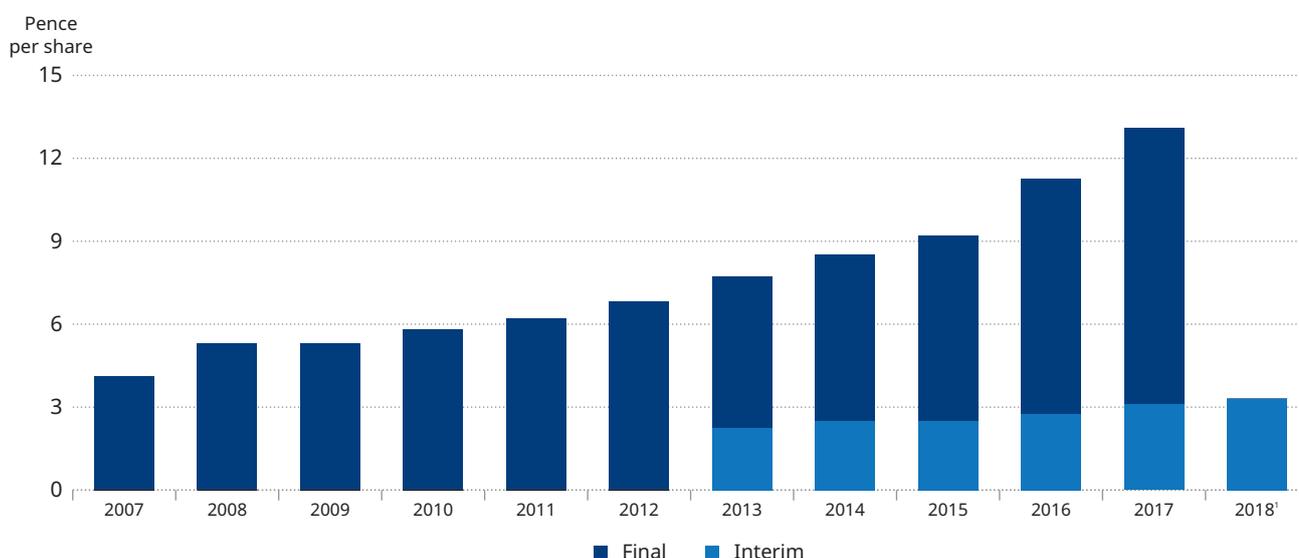
<sup>3</sup>Source: Thomson Reuters. The Company's benchmark is the FTSE 250 (ex-Investment Companies) Index.

## Other financial information

	31 March 2018	30 September 2017	% Change
Shareholders' funds (£'000)	218,667	226,577	(3.5)
Shares in issue, excluding shares held in treasury	35,851,190	35,851,190	-
NAV per share (pence)	609.93	631.99	(3.5)
Share price (pence)	526.00	524.50	+0.3
Share price discount to NAV per share (%)	13.8	17.0	
Net cash (%) <sup>1</sup>	0.3	0.5	

<sup>1</sup>Net cash represents cash expressed as a percentage of net assets. The Company had no borrowings at 31 March 2018 or 30 September 2017.

## Dividend record since 2007



<sup>1</sup>Final dividend yet to be declared.

# Chairman's Statement



## Investment and share price performance

“...share price produced a positive total return of 2.1%...”

The Company's share price produced a positive total return of 2.1% over the six months ended 31 March 2018. This period was a challenging one for the mid cap sector, which edged down. The Company's net asset value (“NAV”) produced a total return of -2.0%, slightly trailing the Company's benchmark total return of -1.1%.

Full details of investment performance, as well as portfolio activity, policy and outlook, may be found in the Manager's Review.

## Interim dividend

“...an increased dividend of 3.30 pence...”

Revenue return per share has risen by 1.9% compared to the first half of the 2017 financial year, reflecting a 3.0% rise in dividend income from investments. In light of this, and having regard to our income expectations in the second half of the year, the Board has declared an increased interim dividend of 3.30 pence (2017: 3.10 pence) per share for the year ending 30 September 2018. The dividend will be paid on 10 August 2018 to shareholders on the register on 13 July 2018. A final dividend for the year ending 30 September 2018 will be proposed at the next Annual General Meeting, as in previous years.

## Gearing facility

The Company has not drawn on its £15 million credit facility during the period. At 1 October 2017 the Company held net cash of 0.5% which had reduced to 0.3% on 31 March 2018. However the Manager has utilised the facility after the period end to take advantage of market opportunities and at 20 June 2018 the Company had drawn down £7.5 million and was 1.3% net geared. Gearing levels are closely monitored by the Board.

## Share purchases and discount management

The share price discount to net asset value remained wide during the period, ranging from 13.8% to 17.9%, with an average discount of 15.8% as investors remained cautious, and for part of the time, sentiment towards the mid cap sector was weak. The Company did not buy back any of its shares during the period under review.

Your Board continues to believe that the most sustainable way to close the discount is to increase demand for the Company's shares over the longer term, with effective marketing, supported by strong investment management performance. In the meantime, it will continue to monitor the discount at which the Company's shares trade both in absolute terms and relative to its peer group and to consider whether share buy backs should be deployed.

## Outlook

“...the companies in your portfolio have continued to grow their businesses...”

The first half of the Company's year was like the previous six months, with the NAV moving in a narrow range and ending much where it started. It is however reassuring that during the period the companies in your portfolio have continued to grow their businesses. Dividend income from them continues to grow; domestic sales have not been as poor as some feared; and the value in many mid caps has been reflected in the large number of bids for them. This last factor may have given further momentum to the rise in share prices since the end of March, sending the NAV and the share price to new highs.

# Chairman's Statement

**“...the mid cap sector has produced companies with the flexibility and skills to adapt to a changing environment...”**

What is apparent, however, is that large swathes of the UK corporate sector are facing challenges to their business model. Whatever the cause of the disruption – the internet, Brexit, the regulatory environment, new competition, etc – it is creating both losers and winners. Historically the mid cap sector has produced companies with the flexibility and skills to adapt to a changing environment, and we see no reason why your Company cannot continue to benefit from this in future. Your Company continues to deliver strong capital returns over the long-term, while remaining invested in financially prudent, growing businesses, and I expect this to continue.

**Eric Sanderson**  
Chairman

27 June 2018

# Manager's Review



Andy Brough is head of the team. He has been with Schroders for 30 years and is an FE (Financial Express) Alpha Manager and Chartered Accountant. Jean Roche became co-manager with Andy in September 2016. She has 18 years of investment experience and holds the CFA (Chartered Financial Analyst) designation.

## Market review

The UK equity market moved in a narrow band in the six months to the end of March 2018, in line with global equities. On a relative basis the FTSE 250 (ex-Investment Companies) Index outperformed the FTSE 100 Index, falling 1.1% vs. the large cap index's 2.5% fall (source: Morningstar, total returns).

## UK market performance – FTSE 100 vs FTSE 250 ex ICs



Source: Thomson Reuters DataStream, total return from September 2017 to March 2018

Global markets followed the US, lower on the back of fears around the pace of policy tightening by the Federal Reserve in response to growing inflationary pressures. The market weakness was exacerbated by a rise in the VIX (volatility) index, which forced leveraged short volatility strategies to close their positions. Government bond yields rose, driving a rotation away from more stable and defensive areas of the market. While the "Goldilocks" scenario of low and stable growth and inflation was put to the test, hopes remained that the world economy would continue to enjoy a sustained and synchronised recovery.

Sterling recovered as the Bank of England increased base rates for the first time since November 2007, from a record low of 0.25% to 0.50%. Markets welcomed progress with Brexit negotiations, with an agreement struck to allow talks to proceed to the future of trade arrangements.

## Portfolio performance

The NAV underperformed the index by 0.9% during the period (source: Schroders). This was largely down to specific stock performances and not holding some of the companies bid for.

Online retailer **N Brown** disappointed the market with a curate's egg of weaker-than-expected product margins in a highly promotional market, offset by better margins in the credit division. We see competition intensifying in this market as well as a tightening of regulatory screws, which will likely more than offset any benefit from foreign exchange transactions and the return to real earnings growth seen in the UK. We have trimmed the exposure to this stock.

The holding in **Capita** also detracted as the market responded to new management's decision to cut the dividend and launch a rights issue. The market compared the company to Carillion, a far lower margin business, and did not give the company credit for the potential disposal of non-core businesses. The shares' valuation reflects only downside, wherein lies the opportunity.

Shares in **Cineworld** fell as the company announced a rights issue to raise capital for its acquisition of US operator Regal, which will make the company the second largest cinema group in the world. We supported the rights issue as management have demonstrated strength in previous acquisitions and believe that the long-term investment proposition has strengthened further as a result of the deal.

On the positive side, veterinary products business **Dechra Pharmaceuticals**, the standout contributor last year, has continued to deliver strong returns. The shares have outperformed, underpinned by strong interim results and the earnings-accretive acquisition of Dutch firms AST Farma and Le Vet, which further strengthened the company's companion animal proposition.

Travel food and beverage company **SSP Group**, also one of the top performers last year, was another key contributor. The company maintained its strong operational performance, particularly in the growth market of international airport catering where it continues to win new contracts, and in its interesting new Indian Rail JV.

# Manager's Review

## Stocks held – significant positive and negative contributions versus the benchmark

Positive contributor	Portfolio weight <sup>1</sup> (%)	Weight relative to index (%)	Relative performance <sup>2</sup> (%)	Impact <sup>3</sup> (%)
Dechra				
Pharmaceuticals	2.6	2.0	31.3	0.6
SSP Group	3.8	2.9	15.8	0.5
CLS Holdings	1.8	1.6	18.7	0.3
IG Group	1.9	1.1	27.1	0.3
Grainger	2.7	2.4	10.1	0.2

Negative contributor	Portfolio weight <sup>1</sup> (%)	Weight relative to index (%)	Relative performance <sup>2</sup> (%)	Impact <sup>3</sup> (%)
N Brown Group	1.0	0.9	-45.8	-0.6
Capita	1.2	0.4	-72.9	-0.5
Cineworld	1.3	0.9	-20.2	-0.4
Northgate	1.7	1.7	-19.8	-0.4
Talk Talk Telecom	1.0	0.8	-42.8	-0.4

Source: Schroders, Factset, 30 September 2017 to 31 March 2018

<sup>1</sup>Weights are averages over the period

<sup>2</sup>Performance relative to the FTSE 250 (ex. ITs) Index return over the period

<sup>3</sup>Impact is the contribution to performance relative to the FTSE 250 (ex. ITs) Index

## Stocks not held – largest contributions relative to the benchmark

Positive contributor	Portfolio weight <sup>1</sup> (%)	Weight relative to index (%)	Relative performance <sup>2</sup> (%)	Impact <sup>3</sup> (%)
Inmarsat	0.0	-0.7	-42.6	0.4
Wood Group	0.0	-1.3	-19.5	0.3
Saga	0.0	-0.5	-41.1	0.3
RPC Group	0.0	-1.1	-20.1	0.2
Dignity	0.0	-0.2	-55.5	0.2

Negative contributor	Portfolio weight <sup>1</sup> (%)	Weight relative to index (%)	Relative performance <sup>2</sup> (%)	Impact <sup>3</sup> (%)
NEX Group	0.0	-0.6	50.2	-0.3
UBM	0.0	-0.9	38.6	-0.3
Ladbroke's Coral	0.0	-0.8	45.2	-0.3
Ocado	0.0	-0.5	82.5	-0.3
Hammerson	0.0	-0.1	23.9	-0.3

Source: Schroders, Factset, 30 September 2017 to 31 March 2018

<sup>1</sup>Weights are averages over the period

<sup>2</sup>Performance of the stock in the index relative to the FTSE 250 (ex. ITs)

Index total return over the period

<sup>3</sup>Impact is the contribution to performance relative to the FTSE 250 (ex. ITs) Index

The portfolio benefited from not holding highly-indebted satellite company Inmarsat, energy services company Wood Group, and insurance and travel group Saga. We have subsequently started a position in the latter, the company having put a credible plan in place to address its shortcomings, and to benefit as two new cruise ships come online. Not owning bid targets NEX Group, UBM and Ladbroke's Coral detracted from performance.

## Portfolio activity

Among the new holdings to the portfolio, low cost airline **Wizz Air** specialises in travel to Eastern Europe, a structural growth market due to rising income amongst young travellers; **Spectris** is an electronics and specialist engineering product designer and supplier; and we see opportunity in a change of management at generic pharmaceutical company **Hikma**.

Exits included Kennedy Wilson Europe, acquired by its parent, and Halma, which was promoted to the FTSE 100. We also sold out of companies on valuation grounds or where recent developments meant the holding no longer fits our investment strategy. These included Crest Nicholson and Laird. Where positions had become very large and/or valuations stretched, we trimmed our holdings, for example in **SSP**, **Redrow**, **Renishaw**, **Dechra** and **Paragon**.

## Outlook – elephants don't gallop

We see an ever-faster pace of disruption amongst UK plc, and nowhere is this more keenly felt than on the high street. Companies which are not carrying out the disruption or adapting to take account of this disruption will be strongly disadvantaged. We see opportunities for management teams which are nimble and creative to take advantage of disruptive trends. The economy can support this because companies and households continue to spend. Mid caps are in a stronger position to adapt to this

# Manager's Review

new world than large caps thanks to their relative size; elephants don't gallop. Looking outside the UK, the mid 250 also offers opportunities, as up to half of the revenues generated by the opportunity set are generated here. Finally, although the global investor community may be gloomy on the UK's prospects, the global corporate sector is not, evidenced by the spike in inbound M&A in recent months.

## Our investment management strategy

We continue to seek organic growth and pricing power, and avoid companies with too much debt. Our strategy remains one of being highly selective in light of structural change caused by the evolution of the internet and e-commerce, which is disrupting many traditional business models by driving down prices and in some cases offering better product or service. We endeavour to be on the right side of this trend: as well as looking for the next mid cap disruptor, we are always looking to avoid exposure to the next industry to be disrupted.

The growing number of opportunities has also led us to use the loan facility since the end of March, with net gearing of 1.3% as at 20 June 2018.

We believe that the holdings are well placed to continue to generate superior long-term returns. Many are enjoying a virtuous circle where a rising stream of earnings is underpinning progressive dividend policies and simultaneously supporting reinvestment into the business to drive future growth.

## Schroder Investment Management Limited

27 June 2018

*The securities shown above are for illustrative purposes only and are not to be considered recommendations to buy or sell.*

## Largest overweight positions

	Portfolio weight %	Index weight %	Difference %
SSP Group	3.8	0.9	+2.9
Renishaw	3.1	0.5	+2.6
Grainger	3.0	0.4	+2.6
HomeServe	3.1	0.6	+2.5
Dechra Pharmaceuticals	3.1	0.8	+2.2
Brewin Dolphin Holdings	2.2	0.3	+1.9
Redrow	2.3	0.4	+1.9
CLS Holdings	1.9	0.1	+1.8
Diploma	2.2	0.4	+1.8
Intermediate Capital Group	2.7	0.9	+1.8

Source: Schroders, Factset, as at 31 March 2018. Index refers to FTSE 250 ex Investment Companies.

# Directors' Disclosures

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: strategy and competitiveness risk; investment management risk; financial and currency risk; accounting, legal and regulatory risk; custodian and depositary risk; and service provider risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 14 and 15 of the Company's published Annual Report and Accounts for the year ended 30 September 2017.

These risks and uncertainties have not materially changed during the six months ended 31 March 2018, although the Board now more closely monitors performance of the Company against its peers.

## Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 16 of the published Annual Report and Accounts for the year ended 30 September 2017, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 March 2018.

## Directors' responsibilities statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), in particular FRS 104 "Interim Financial Reporting", and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules.

# Investment Portfolio as at 31 March 2018

Stocks in bold are the 20 largest investments, which by value account for 48.4% (31 March 2017: 46.3% and 30 September 2017: 46.3%) of total investments. Investments are all equities.

	£'000	%		£'000	%
<b>Financials</b>					
<b>Grainger</b>	<b>6,354</b>	<b>3.0</b>	James Fisher	3,301	1.6
<b>Intermediate Capital</b>	<b>5,657</b>	<b>2.7</b>	Grafton	3,080	1.4
<b>Phoenix</b>	<b>5,039</b>	<b>2.4</b>	Keller	2,989	1.4
<b>IG</b>	<b>4,785</b>	<b>2.3</b>	Howden Joinery	2,304	1.1
<b>Brewin Dolphin</b>	<b>4,652</b>	<b>2.2</b>	PayPoint	2,228	1.0
<b>Man Group</b>	<b>4,408</b>	<b>2.1</b>	Spectris	2,154	1.0
<b>CLS</b>	<b>4,095</b>	<b>1.9</b>	Aggreko	2,126	1.0
<b>Investec</b>	<b>4,026</b>	<b>1.9</b>	Capita	1,032	0.5
<b>Safestore</b>	<b>3,928</b>	<b>1.9</b>	<b>Total Industrials</b>	<b>45,344</b>	<b>21.3</b>
Londonmetric Property	3,297	1.6	<b>Consumer Goods</b>		
Paragon	3,293	1.5	<b>SSP</b>	<b>7,949</b>	<b>3.8</b>
Workspace REIT	2,125	1.0	<b>Redrow</b>	<b>4,943</b>	<b>2.3</b>
Virgin Money	2,102	1.0	<b>Cranswick</b>	<b>3,826</b>	<b>1.8</b>
Just Retirement	1,903	0.9	Coats	2,778	1.3
Esure	1,621	0.8	<b>Total Consumer Goods</b>	<b>19,496</b>	<b>9.2</b>
BCA Marketplace	1,357	0.6	<b>Basic Materials</b>		
<b>Total Financials</b>	<b>58,642</b>	<b>27.8</b>	Synthomer	3,192	1.5
<b>Consumer Services</b>			Elementis	3,100	1.5
<b>Rightmove</b>	<b>5,610</b>	<b>2.6</b>	Anglo Pacific	3,085	1.5
Cineworld	3,711	1.7	Victrex	2,951	1.4
Supergroup	3,508	1.6	<b>Total Basic Materials</b>	<b>12,328</b>	<b>5.9</b>
Rank Group	3,477	1.6	<b>Healthcare</b>		
Pets at Home	3,446	1.6	<b>Dechra Pharmaceuticals</b>	<b>6,560</b>	<b>3.1</b>
Thomas Cook	3,437	1.6	Indivior	2,850	1.3
Inchcape	3,107	1.5	Hikma Pharmaceuticals	724	0.3
Wizz Air	2,895	1.4	<b>Total Healthcare</b>	<b>10,134</b>	<b>4.7</b>
JD Sports	2,850	1.3	<b>Oil &amp; Gas</b>		
J D Wetherspoon	2,734	1.3	<b>Cairn Energy</b>	<b>3,906</b>	<b>1.8</b>
Photo-me International	2,585	1.2	Petrofac	3,203	1.5
Dunelm	2,018	0.9	Lamprell	1,372	0.6
Auto Trader	1,968	0.9	<b>Total Oil &amp; Gas</b>	<b>8,481</b>	<b>3.9</b>
Lookers	1,831	0.9	<b>Telecommunications</b>		
Brown (N)	1,765	0.8	<b>Telecom Plus</b>	<b>4,049</b>	<b>1.9</b>
Restaurant Group	1,448	0.7	TalkTalk	2,663	1.3
<b>Total Consumer Services</b>	<b>46,390</b>	<b>21.6</b>	<b>Total Telecommunications</b>	<b>6,712</b>	<b>3.2</b>
<b>Industrials</b>			<b>Technology</b>		
<b>Renishaw</b>	<b>6,621</b>	<b>3.1</b>	SDL	2,761	1.3
<b>HomeServe</b>	<b>6,494</b>	<b>3.1</b>	Computacenter	2,346	1.1
<b>Bodycote International</b>	<b>4,920</b>	<b>2.3</b>	<b>Total Technology</b>	<b>5,107</b>	<b>2.4</b>
<b>Diploma</b>	<b>4,731</b>	<b>2.2</b>	<b>Total investments</b>	<b>212,634</b>	<b>100.0</b>
Northgate	3,364	1.6			

# Income Statement

	(Unaudited) For the six months ended 31 March 2018			(Unaudited) For the six months ended 31 March 2017			(Audited) For the year ended 30 September 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	-	(6,840)	(6,840)	-	14,912	14,912	-	35,316	35,316
Income from investments	2,388	1,187	3,575	2,318	116	2,434	5,933	274	6,207
Other interest receivable and similar income	-	-	-	-	-	-	-	-	-
<b>Gross return/(loss)</b>	<b>2,388</b>	<b>(5,653)</b>	<b>(3,265)</b>	2,318	15,028	17,346	5,933	35,590	41,523
Investment management fee	(239)	(558)	(797)	(210)	(489)	(699)	(442)	(1,030)	(1,472)
Administrative expenses	(251)	-	(251)	(238)	-	(238)	(457)	-	(457)
<b>Net return/(loss) before finance costs and taxation</b>	<b>1,898</b>	<b>(6,211)</b>	<b>(4,313)</b>	1,870	14,539	16,409	5,034	34,560	39,594
Finance costs	-	-	-	(3)	(6)	(9)	(3)	(6)	(9)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>1,898</b>	<b>(6,211)</b>	<b>(4,313)</b>	1,867	14,533	16,400	5,031	34,554	39,585
Taxation (note 3)	(12)	-	(12)	-	-	-	-	-	-
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>1,886</b>	<b>(6,211)</b>	<b>(4,325)</b>	1,867	14,533	16,400	5,031	34,554	39,585
<b>Return/(loss) per share (note 4)</b>	<b>5.26p</b>	<b>(17.32)p</b>	<b>(12.06)p</b>	5.16p	40.21p	45.37p	13.96p	95.87p	109.83p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the period.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

# Statement of Changes in Equity

## For the six months ended 31 March 2018 (unaudited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2017	9,036	13,971	220	2,184	13,934	180,277	6,955	226,577
Net (loss)/return on ordinary activities	-	-	-	-	-	(6,211)	1,886	(4,325)
Dividend paid in the period (note 5)	-	-	-	-	-	-	(3,585)	(3,585)
<b>At 31 March 2018</b>	<b>9,036</b>	<b>13,971</b>	<b>220</b>	<b>2,184</b>	<b>13,934</b>	<b>174,066</b>	<b>5,256</b>	<b>218,667</b>

## For the six months ended 31 March 2017 (unaudited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2016	9,036	13,971	220	2,184	15,477	145,723	6,107	192,718
Net return on ordinary activities	-	-	-	-	-	14,533	1,867	16,400
Dividend paid in the period (note 5)	-	-	-	-	-	-	(3,072)	(3,072)
<b>At 31 March 2017</b>	<b>9,036</b>	<b>13,971</b>	<b>220</b>	<b>2,184</b>	<b>15,477</b>	<b>160,256</b>	<b>4,902</b>	<b>206,046</b>

## For the year ended 30 September 2017 (audited)

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2016	9,036	13,971	220	2,184	15,477	145,723	6,107	192,718
Net return on ordinary activities	-	-	-	-	-	34,554	5,031	39,585
Repurchase of the Company's own shares into treasury	-	-	-	-	(1,543)	-	-	(1,543)
Dividends paid in the year (note 5)	-	-	-	-	-	-	(4,183)	(4,183)
<b>At 30 September 2017</b>	<b>9,036</b>	<b>13,971</b>	<b>220</b>	<b>2,184</b>	<b>13,934</b>	<b>180,277</b>	<b>6,955</b>	<b>226,577</b>

# Statement of Financial Position at 31 March 2018

	(Unaudited) 31 March 2018 £'000	(Unaudited) 31 March 2017 £'000	(Audited) 30 September 2017 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	212,634	200,127	225,659
<b>Current assets</b>			
Debtors	724	714	1,063
Cash at bank and in hand	7,111	6,049	1,020
	<b>7,835</b>	6,763	2,083
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	(1,802)	(844)	(1,165)
<b>Net current assets</b>	<b>6,033</b>	5,919	918
<b>Net assets</b>	<b>218,667</b>	206,046	226,577
<b>Capital and reserves</b>			
Called-up share capital (note 6)	9,036	9,036	9,036
Share premium	13,971	13,971	13,971
Capital redemption reserve	220	220	220
Merger reserve	2,184	2,184	2,184
Share purchase reserve	13,934	15,477	13,934
Capital reserves	174,066	160,256	180,277
Revenue reserve	5,256	4,902	6,955
<b>Total equity shareholders' funds</b>	<b>218,667</b>	206,046	226,577
<b>Net asset value per share (note 7)</b>	<b>609.93p</b>	570.07p	631.99p

Registered in Scotland.

Company registration number: SC082551

# Notes to the Accounts

## 1. Financial Statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's independent auditor.

The figures and financial information for the year ended 30 September 2017 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

### Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in November 2014 and updated in February 2018.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 30 September 2017.

## 3. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. Taxation comprises irrecoverable overseas withholding tax deducted from dividends receivable.

## 4. Return/(loss) per share

	(Unaudited) For the six months ended 31 March 2018 £'000	(Unaudited) For the six months ended 31 March 2017 £'000	(Audited) For the year ended 30 September 2017 £'000
Revenue return	1,886	1,867	5,031
Capital (loss)/return	(6,211)	14,533	34,554
Total (loss)/return	(4,325)	16,400	39,585
Weighted average number of shares in issue during the period	35,851,190	36,143,690	36,043,409
Revenue return per share	5.26p	5.16p	13.96p
Capital (loss)/return per share	(17.32)p	40.21p	95.87p
<b>Total (loss)/return per share</b>	<b>(12.06)p</b>	45.37p	109.83p

# Notes to the Accounts

## 5. Dividends

	(Unaudited) For the six months ended 31 March 2018 £'000	(Unaudited) For the six months ended 31 March 2017 £'000	(Audited) For the year ended 30 September 2017 £'000
2017 final dividend paid of 10.00p (2016: 8.50p)	3,585	3,072	3,072
Interim dividend of 3.10p	-	-	1,111
	<b>3,585</b>	3,072	4,183

An interim dividend of 3.30p (2017: 3.10p) per share, amounting to £1,183,000 (2017: £1,111,000), has been declared payable in respect of the year ending 31 September 2018.

## 6. Called-up share capital

	(Unaudited) Six months ended 31 March 2018 £'000	(Unaudited) Six months ended 31 March 2017 £'000	(Audited) Year ended 30 September 2017 £'000
Ordinary shares allotted, called up and fully paid:			
Opening balance of 35,851,190 (31 March 2017 and 30 September 2017: 36,143,690) shares of 25p each	8,963	9,036	9,036
Repurchase of nil (31 March 2017: nil and 30 September 2017: 292,500) shares into treasury	-	-	(73)
Subtotal of 35,851,190 (31 March 2017: 36,143,690 and 30 September 2017: 35,851,190) shares	8,963	9,036	8,963
292,500 (31 March 2017: nil and 30 September 2017: 292,500) shares held in treasury	73	-	73
Closing balance of 36,143,190 shares including shares held in treasury	<b>9,036</b>	9,036	9,036

## 7. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 31 March 2018 excluding shares held in treasury, of 35,851,190 (31 March 2017: 36,143,690 and 30 September 2017: 35,851,190).

## 8. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 March 2018, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 March 2017 and 30 September 2017: same).

## 9. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the interim date and have not noted any events which have not been reflected in the financial statements.

# Notes

## Directors

Eric Sanderson (Chairman)  
Clare Dobie  
Andrew Page  
Robert Rickman  
Robert Talbut

## Advisers

### Alternative Investment Fund Manager ("Manager")

Schroder Unit Trusts Limited  
31 Gresham Street  
London EC2V 7QA

### Investment Manager and Company Secretary

Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
Telephone: 020 7658 6501

### Registered Office

1 Exchange Crescent  
Conference Square  
Edinburgh EH3 8UL

### Depositary and Custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Lending Bank

Scotiabank Europe PLC  
201 Bishopsgate  
London EC2M 3NS

### Corporate Broker

Panmure Gordon (UK) Limited  
One New Change  
London EC4M 9AF

### Legal Advisers

Shepherd and Wedderburn LLP  
1 Exchange Crescent  
Conference Square  
Edinburgh EH3 8UL

## Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA  
Shareholder Helpline: 0800 032 0641\*  
Website: [www.shareview.co.uk](http://www.shareview.co.uk)

\*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the address above.

## Independent Auditor

KPMG LLP  
319 St Vincent Street  
Glasgow G2 5AS

## AIFM Directive disclosures

Certain pre-sale, regular and periodic disclosures required by the Alternative Investment Fund Managers ("AIFM") Directive may be found on the website [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

## Dealing Codes

ISIN: GB0006108418  
SEDOL 0610841  
Ticker: SCP

## Global Intermediary Identification Number (GIIN)

9GN3DU.99999.SL.826

## Legal Entity Identifier (LEI)

549300SOEWCYZTK2SP87

The Company's privacy notice is available on its webpage.